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PRESS RELEASE

NBB and FSMA publish update on Asset Management and Non-Bank Financial Intermediation in Belgium

The National Bank of Belgium (NBB) and the Financial Services and Markets Authority (FSMA) today published an [update](#) of the report on asset management and non-bank financial intermediation in Belgium. This update forms part of both institutions' periodic monitoring of these activities and focuses, inter alia, on the development of non-bank financial intermediation in our country, a €161 billion market.

In 2017, the FSMA and the NBB published a first comprehensive report on asset management and shadow banking in Belgium. The fourth update of this report, which includes recent figures and an analysis of national and international developments, is now available.

The initial report and its updates address the evolution towards a more market-oriented financial system. This mode of financing offers an alternative to raising money from banks and helps support the real economy. This fits with the call in Europe to become less dependent on banks to finance the economy. But non-bank financial intermediation (NBFi) - like other financial activities - can also give rise to systemic risks, which can affect the stability of the financial system.

Financing through markets can take several forms. In the report, the supervisory authorities analyse asset management activities and non-bank financial intermediation in Belgium. The main objective of the report is to keep a finger on the pulse, paying particular attention to the risks associated with these activities and their interconnectedness with other sectors.

Based on the definition of the Financial Stability Board, the organisation overseeing financial sector reforms on a global scale for the G-20, the FSMA and the NBB calculated the size of non-bank financial intermediation activities in Belgium. At the end of June 2022, total financial assets in this category amounted to € 161 billion. These are mainly assets held by investment funds that do not qualify as equity funds. The vast majority of these funds are subject to supervision by the Belgian authorities.

Having held up well during major market shocks in March 2020 and the COVID crisis, Belgian investment funds once again demonstrated their shock-absorption capacity in 2022. Indeed, financial markets were severely tested by uncertainty due to the military conflict in Ukraine, a sharp rise in inflation and interest rates, and a worsened outlook for economic growth. These developments were accompanied by significant losses on financial assets held in Belgian investment funds but did not trigger disorderly or forced asset sales. This resilience of Belgian investment funds to market shocks attests to the generally prudent risk management of such funds, which is also promoted by the regulatory framework.

In recent years, the FSMA and the NBB have taken actions and supported initiatives both nationally and internationally aimed at

- better monitoring of developments in this segment of the financial sector,
- a healthier management of risks by the financial institutions active in this sector,
- adjustment, where necessary, of the regulatory framework.

For instance, liquidity management tools (LMTs) can be very useful in stressed market conditions and in case of potential liquidity problems. Today, virtually all sub-funds for which the FSMA has recommended the introduction of LMTs have at least one LMT at their disposal. The use of LMTs promotes equal treatment of investors and reduces the risk of a forced sale of less liquid assets. Because LMTs reduce the potential mismatch between the liquidity of an UCI's investment portfolio and the liquidity offered by that UCI to its investors, they also promote financial stability.

As things stand, no material risks have been identified in relation to asset management and non-bank financial intermediation in Belgium that threaten financial stability. However, the development of those two activities in Belgium and their linkages with other sectors of the economy, including possible reputational risk in financial services groups, should be closely monitored.

In addition, risks in the global NBFi sector should not be overlooked. The vulnerabilities in certain sub-segments of this global NBFi sector - as illustrated during the "dash for cash" in March 2020 or by the investment vehicle Archegos to which banks had extended excessive credit - may threaten the smooth functioning of financial markets and the stability of the financial institutions involved. The NBB and the FSMA therefore continue to actively participate in international work to gain a better view of European and global developments in the NBFi sector and, where necessary, to strengthen the regulatory framework.

NBB Governor Pierre Wunsch: "The NBB-FSMA report confirms that the Belgian asset management and non-bank financial intermediation market can be considered fundamentally sound. The sector was thus well armed to face the challenging market developments that characterised 2022. This solid starting position must be maintained in order to secure the crucial role of this sector in financial intermediation in Belgium also in the future. Given the rapid developments in this sector, supervisory authorities must therefore remain vigilant. Regular updates to the published analysis will continue to form part of this continuous monitoring."

FSMA Chairman Jean-Paul Servais: "In order to monitor and understand trends and risks in the NBFi sector, good cooperation between authorities, both at national and international level, is essential. This report, already in its fifth edition, is an excellent example of this. As the new Chairman of the International Organization of Securities Commissions (IOSCO), one of my priorities will be to maintain and strengthen the cooperation with the Financial Stability Board (FSB). The FSB and IOSCO are committed to continuing to work together globally to address the systemic risks of NBFi."

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